

**NESS COUNTY, KANSAS**  
Ness City, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2006

**NESS COUNTY, KANSAS**  
Financial Statements with Independent Auditors' Report  
For the Year Ended December 31, 2006

---

**TABLE OF CONTENTS**

|  | <u>Page<br/>Number</u> |
|--|------------------------|
| Independent Auditors' Report.....  | 1                      |
| Statement 1  |                        |
| Summary of Cash Receipts, Expenditures and Unencumbered Cash.....                  | 2                      |
| Statement 2  |                        |
| Summary of Expenditures – Actual and Budget .....                                  | 3                      |
| Statement 3  |                        |
| Statement of Cash Receipts and Expenditures - Actual and Budget (where applicable) |                        |
| 3-1    General Fund .....  | 4-5                    |
| Special Revenue Funds:   |                        |
| 3-2    Road and Bridge Fund .....  | 6                      |
| 3-3    Special Highway Improvement Fund.....                                       | 7                      |
| 3-4    Special Machinery Fund.....   | 8                      |
| 3-5    Noxious Weed Fund.....  | 9                      |
| 3-6    Noxious Weed Capital Outlay Fund .....                                      | 10                     |
| 3-7    Health Fund .....   | 11                     |
| 3-8    Appraiser's Cost Fund.....  | 12                     |
| 3-9    Special Bridge Fund .....   | 13                     |
| 3-10   Employee Benefit Fund .....   | 14                     |
| 3-11   Ambulance Service Fund .....  | 15                     |
| 3-12   Special Alcohol Fund.....   | 16                     |
| 3-13   Bio-Terrorism Fund .....  | 17                     |
| 3-14   911 Tax Fund .....  | 18                     |
| 3-15   E-911 Tax Fund.....   | 19                     |
| 3-16   Register of Deeds Technology Fund.....                                      | 20                     |
| 3-17   Micro Loan Fund .....   | 21                     |
| Enterprise Funds:  |                        |
| 3-18   Solid Waste Fund.....   | 22                     |
| 3-19   Solid Waste – Post Closure Fund .....                                       | 23                     |
| Private Purpose Trust Funds:   |                        |
| 3-20   Prosecuting Attorney's Training Fund .....                                  | 24                     |
| 3-21   Special Motor Vehicle Tax Fund .....  | 25                     |
| 3-22   Law Enforcement Trust Fund.....   | 26                     |
| Statement 4  |                        |
| 4-1    Distributable Funds, State Funds, and Subdivision Funds.....                | 27                     |
| 4-2    Agency Funds.....   | 28                     |
| Notes to Financial Statements .....  | 29-38                  |



Certified  
Public  
Accountants

Terrance W. Brown  
Kenneth L. Beran  
Galen M. Pfeifer  
Rex D. Ball  
Nancy A. Francis  
Kim H. Hullman  
William D. Glazner  
Sheryl K. Schamaun  
Steven R. Baumrucker  
Brian C. Staats  
Tyler W. Miller  
John E. Cross  
Vaughn A. Goerl  
Melissa A. Romme  
Michelle Schneider

James F. Adams

## INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners  
**Ness County, Kansas**  
Ness City, KS 67560

We have audited the accompanying financial statements of **Ness County, Kansas**, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of **Ness County, Kansas'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, **Ness County, Kansas** prepares its financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Ness County, Kansas**, as of December 31, 2006, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Ness County, Kansas**, as of December 31, 2006, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

August 6, 2007

Phone (785)628-3046 ■ Fax (785)628-3089 ■ [www.abbb.com](http://www.abbb.com)  
Commerce Bank Building ■ 718 Main ■ Suite 224  
P.O. Box 1186 ■ Hays, Kansas 67601

**NESS COUNTY, KANSAS**  
**Summary of Cash Receipts, Expenditures and Unencumbered Cash**  
**For the Year Ended December 31, 2006**

| Fund   | Beginning<br>Unencumbered<br>Cash Balance | Prior Year<br>Cancelled<br>Encumbrances | Cash<br>Receipts | Expenditures     | Ending<br>Unencumbered<br>Cash Balance | Add:<br>Outstanding<br>Encumbrances<br>and Accounts<br>Payable | Ending<br>Cash Balance |
|--|---|---|------------------|------------------|--|--|------------------------|
| <b>Governmental Funds</b>                                    |   |   |                  |                  |  |  |                        |
| General Fund   | \$ 533,185                                | -                                       | 1,444,481        | 1,355,897        | 621,769                                | 101,018  | 722,787                |
| Special Revenue Funds  |   |   |                  |                  |  |  |                        |
| Road and Bridge Fund   | 109,161                                   | -                                       | 1,545,367        | 1,580,876        | 73,652                                 | 104,868  | 178,520                |
| Special Highway Improvement Fund                             | 27,349                                    | -                                       | -                | 19,550           | 7,799                                  | 12,675   | 20,474                 |
| Special Machinery Fund                                       | 513,613                                   | -                                       | 190,000          | 155,642          | 547,971                                | -  | 547,971                |
| Noxious Weed Fund  | 32,065                                    | -                                       | 515,847          | 519,219          | 28,693                                 | 39,425   | 68,118                 |
| Noxious Weed Capital Outlay Fund                             | 10,822                                    | -                                       | -                | 730              | 10,092                                 | -  | 10,092                 |
| Health Fund  | 65,350                                    | -                                       | 121,715          | 111,642          | 75,423                                 | 1,530  | 76,953                 |
| Appraiser's Cost Fund  | 11,393                                    | -                                       | 85,936           | 84,866           | 12,453                                 | 1,980  | 14,433                 |
| Special Bridge Fund  | -   | -                                       | 47,000           | -                | 47,000                                 | -  | 47,000                 |
| Employee Benefit Fund  | 31,761                                    | -                                       | 233,778          | 249,719          | 15,820                                 | -  | 15,820                 |
| Ambulance Service Fund                                       | 74,021                                    | -                                       | 67,438           | 127,877          | 13,582                                 | 90,000   | 103,582                |
| Special Alcohol Fund   | 6,158                                     | -                                       | 1,473            | 950              | 6,681                                  | -  | 6,681                  |
| Bio-Terrorism Fund   | 6,562                                     | -                                       | 11,933           | 18,211           | 284                                    | -  | 284                    |
| 911 Tax Fund   | 47,461                                    | -                                       | 16,976           | 26,029           | 38,408                                 | 191  | 38,599                 |
| E-911 Tax Fund   | 8,510                                     | -                                       | 8,310            | -                | 16,820                                 | -  | 16,820                 |
| Register of Deeds Technology Fund                            | 8,857                                     | -                                       | 12,604           | 699              | 20,762                                 | -  | 20,762                 |
| Micro Loan Fund  | 654                                       | -                                       | 3,000            | -                | 3,654                                  | -  | 3,654                  |
| <b>Proprietary Type Fund</b>                                 |   |   |                  |                  |  |  |                        |
| Enterprise Funds   |   |   |                  |                  |  |  |                        |
| Solid Waste Fund   | 51,215                                    | -                                       | 195,600          | 237,014          | 9,801                                  | 11,852   | 21,653                 |
| Solid Waste - Post Closure Fund                              | 39,470                                    | -                                       | 10,000           | -                | 49,470                                 | -  | 49,470                 |
| <b>Fiduciary Type Fund</b>                                   |   |   |                  |                  |  |  |                        |
| Private Purpose Trust Funds                                  |   |   |                  |                  |  |  |                        |
| Prosecuting Attorney's Training Fund                         | 1,785                                     | -                                       | 226              | -                | 2,011                                  | -  | 2,011                  |
| Special Motor Vehicle Tax Fund                               | -   | -                                       | 28,407           | 28,407           | -                                      | -  | -                      |
| Law Enforcement Trust Fund                                   | 792                                       | -                                       | -                | -                | 792                                    | -  | 792                    |
| <b>Total - Reporting Entity<br/>(Excluding Agency Funds)</b> | <b>\$ 1,580,174</b>                       | <b>-</b>                                | <b>4,540,091</b> | <b>4,517,328</b> | <b>1,602,937</b>                       | <b>363,539</b>   | <b>1,966,476</b>       |

**Composition of Cash:**

|                              |              |
|------------------------------|--------------|
| Certificates of Deposits     |              |
| Farmers Bank & Trust         | \$ 600,000   |
| First State Bank - Ransom    | 800,000      |
| Checking Accounts            |              |
| First State Bank - Ness City | 5,787,292    |
| Farmers Bank & Trust         | 37,522       |
| Cash on Hand                 | 119,888      |
| Total Cash                   | 7,344,702    |
| Agency Funds Per Statement 4 |              |
| Total Reporting Entity       | (5,378,226)  |
| (Excluding Agency Funds)     | \$ 1,966,476 |

The notes to the financial statements are an integral part of this statement.

NESS COUNTY, KANSAS  
Summary of Expenditures - Actual and Budget  
For the Year Ended December 31, 2006

| Fund                             | Certified Budget | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance Favorable (Unfavorable) |
|----------------------------------|------------------|--|-----------------------------|---|----------------------------------|
| <b>Governmental Funds</b>        |                  |  |                             |   |                                  |
| General Fund                     | \$ 1,426,321     | -  | 1,426,321                   | 1,355,897                               | 70,424                           |
| Special Revenue Funds            |                  |  |                             |   |                                  |
| Road and Bridge Fund             | 1,584,557        | -  | 1,584,557                   | 1,580,876                               | 3,681                            |
| Noxious Weed Fund                | 339,828          | 192,473                                  | 532,301                     | 519,219                                 | 13,082                           |
| Noxious Weed Capital Outlay Fund | 12,432           | -  | 12,432                      | 730                                     | 11,702                           |
| Health Fund                      | 135,626          | -  | 135,626                     | 111,642                                 | 23,984                           |
| Appraiser's Cost Fund            | 93,358           | -  | 93,358                      | 84,866                                  | 8,492                            |
| Employee Benefit Fund            | 236,500          | -  | 236,500                     | 249,719                                 | (13,219)                         |
| Ambulance Service Fund           | 134,800          | -  | 134,800                     | 127,877                                 | 6,923                            |
| Special Alcohol Fund             | 6,767            | -  | 6,767                       | 950                                     | 5,817                            |
| Proprietary Type Fund            |                  |  |                             |   |                                  |
| Enterprise Funds                 |                  |  |                             |   |                                  |
| Solid Waste Fund                 | 268,184          | -  | 268,184                     | 237,014                                 | 31,170                           |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual           | Budget           | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|------------------|------------------|--|
| <b>Cash Receipts</b>                      |                         |                  |                  |  |
| Taxes                                     | \$ 1,111,285            | 1,168,888        | 1,119,756        | 49,132                                 |
| Intergovernmental                         | 375                     | 572              | -                | 572                                    |
| Federal Aid                               | 57,931                  | 58,507           | -                | 58,507                                 |
| Licenses and Fees                         | 67,808                  | 70,333           | 20,000           | 50,333                                 |
| Use of Money & Property                   | 81,960                  | 117,465          | 27,100           | 90,365                                 |
| Miscellaneous                             | 27,294                  | 28,716           | 5,000            | 23,716                                 |
| <b>Total Cash Receipts</b>                | <b>1,346,653</b>        | <b>1,444,481</b> | <b>1,171,856</b> | <b>272,625</b>                         |
| <b>Expenditures</b>                       |                         |                  |                  |  |
| County Commissioners                      | 69,231                  | 80,915           | 94,005           | 13,090                                 |
| County Clerk                              | 100,602                 | 95,640           | 106,230          | 10,590                                 |
| County Treasurer                          | 96,311                  | 96,503           | 96,403           | (100)                                  |
| County Attorney                           | 59,953                  | 55,684           | 57,884           | 2,200                                  |
| Register of Deeds                         | 51,164                  | 47,316           | 57,178           | 9,862                                  |
| Sheriff                                   | 458,681                 | 576,961          | 400,886          | (176,075)                              |
| Less Reimbursed Expenses                  | (122,916)               | (125,000)        | -                | 125,000                                |
| Courthouse General                        | 190,962                 | 215,148          | 249,460          | 34,312                                 |
| Unified Courts                            | 48,803                  | 51,461           | 49,422           | (2,039)                                |
| Maintenance Engineer                      | 35,614                  | 32,599           | 39,361           | 6,762                                  |
| Economic Development                      | 46,908                  | 42,950           | 65,341           | 22,391                                 |
| Emergency Preparedness                    | 61,644                  | 5,972            | 5,000            | (972)                                  |
| Election                                  | 10,138                  | 29,098           | 47,650           | 18,552                                 |
| Soil Conservation                         | 18,000                  | 18,000           | 18,000           | -                                      |
| Mental Health                             | 18,000                  | 18,000           | 18,000           | -                                      |
| Mental Retardation                        | 16,500                  | 16,500           | 16,500           | -                                      |
| Senior Citizens                           | 43,040                  | 43,801           | 43,801           | -                                      |
| Parks & Recreation                        | 1,310                   | 1,000            | -                | (1,000)                                |
| County Fair                               | 10,000                  | 9,000            | 9,000            | -                                      |
| Historical Society                        | 4,000                   | 4,000            | 4,000            | -                                      |
| Airport                                   | 35,200                  | 35,200           | 35,200           | -                                      |
| Ness County Law Library                   | 280                     | 1,015            | -                | (1,015)                                |
| <b>Total Expenditures Carried Forward</b> | <b>\$ 1,253,425</b>     | <b>1,351,763</b> | <b>1,413,321</b> | <b>61,558</b>                          |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual    | Budget    | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|-----------|-----------|--|
| <b>Total Expenditures Brought Forward</b> | \$ 1,253,425            | 1,351,763 | 1,413,321 | 61,558                                 |
| Community College                         | 13,482                  | 3,696     | 12,000    | 8,304                                  |
| Juvenile Detention                        | -                       | 438       | 1,000     | 562                                    |
| Old Settler's Reunion                     | 5,000                   | -         | -         | -                                      |
| <b>Total Expenditures</b>                 | 1,271,907               | 1,355,897 | 1,426,321 | 70,424                                 |
| <b>Receipts Over (Under) Expenditures</b> | 74,746                  | 88,584    |           |  |
| <b>Unencumbered Cash, January 1</b>       | 458,439                 | 533,185   |           |  |
| <b>Unencumbered Cash, December 31</b>     | \$ 533,185              | 621,769   |           |  |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Road and Bridge Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual           | Budget           | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|------------------|------------------|--|
| <b>Cash Receipts</b>                      |                         |                  |                  |  |
| Taxes                                     | \$ 1,022,454            | 1,192,432        | 1,205,214        | (12,782)                               |
| Intergovernmental                         | 321,474                 | 317,367          | 328,821          | (11,454)                               |
| Miscellaneous                             | 15,374                  | 35,568           | 5,000            | 30,568                                 |
| <b>Total Cash Receipts</b>                | <b>1,359,302</b>        | <b>1,545,367</b> | <b>1,539,035</b> | <b>6,332</b>                           |
| <b>Expenditures</b>                       |                         |                  |                  |  |
| Personal Services                         | 748,407                 | 747,364          | 820,257          | 72,893                                 |
| Contractual Services                      | 45,259                  | 54,974           | 56,750           | 1,776                                  |
| Commodities                               | 383,564                 | 464,181          | 434,550          | (29,631)                               |
| Capital Outlay                            | 116,394                 | 77,357           | 83,000           | 5,643                                  |
| Transfers Out                             | 121,000                 | 237,000          | 190,000          | (47,000)                               |
| <b>Total Expenditures</b>                 | <b>1,414,624</b>        | <b>1,580,876</b> | <b>1,584,557</b> | <b>3,681</b>                           |
| <b>Receipts Over (Under) Expenditures</b> | <b>(55,322)</b>         | <b>(35,509)</b>  |                  |  |
| <b>Unencumbered Cash, January 1</b>       | <b>164,483</b>          | <b>109,161</b>   |                  |  |
| <b>Unencumbered Cash, December 31</b>     | <b>\$ 109,161</b>       | <b>73,652</b>    |                  |  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Special Highway Improvement Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual   |
|---|-------------------------|----------|
| <b>Expenditures</b>                       |                         |          |
| Contractual                               | \$ -                    | 19,550   |
| <b>Receipts Over (Under) Expenditures</b> | -                       | (19,550) |
| <b>Unencumbered Cash, January 1</b>       | 27,349                  | 27,349   |
| <b>Unencumbered Cash, December 31</b>     | \$ 27,349               | 7,799    |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Special Machinery Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual  |
|---|-------------------------|---------|
| <b>Cash Receipts</b>                      |                         |         |
| Transfers In                              | \$ 121,000              | 190,000 |
| <b>Expenditures</b>                       |                         |         |
| Capital Outlay                            | 100,000                 | 155,642 |
| <b>Receipts Over (Under) Expenditures</b> | 21,000                  | 34,358  |
| <b>Unencumbered Cash, January 1</b>       | 492,613                 | 513,613 |
| <b>Unencumbered Cash, December 31</b>     | \$ 513,613              | 547,971 |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Noxious Weed Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|  | Prior<br>Year<br>Actual | Actual            | Budget         | Variance<br>Favorable<br>(Unfavorable) |
|--|-------------------------|-------------------|----------------|--|
| <b>Cash Receipts</b>                       |                         |                   |                |  |
| Taxes                                      | \$ 154,566              | 158,430           | 160,066        | (1,636)                                |
| Chemical Sales and Treatment               | 354,434                 | 346,282           | 164,500        | 181,782                                |
| State Aid                                  | 11,239                  | 10,691            | -              | 10,691                                 |
| Miscellaneous                              | 157                     | 444               | -              | 444                                    |
| <b>Total Cash Receipts</b>                 | <u>520,396</u>          | <u>515,847</u>    | <u>324,566</u> | <u>191,281</u>                         |
| <b>Expenditures</b>                        |                         |                   |                |  |
| Personal Services                          | 58,041                  | 57,163            | 61,698         | 4,535                                  |
| Contractual Services                       | 9,232                   | 8,643             | 10,560         | 1,917                                  |
| Commodities                                | 448,076                 | 453,413           | 264,570        | (188,843)                              |
| Capital Outlay                             | -                       | -                 | 3,000          | 3,000                                  |
| (a) Budget Credit                          | -                       | -                 | 192,473        | 192,473                                |
| <b>Total Expenditures</b>                  | <u>515,349</u>          | <u>519,219</u>    | <u>532,301</u> | <u>13,082</u>                          |
| <b>Receipts Over (Under) Expenditures</b>  | 5,047                   | (3,372)           |                |  |
| <b>Unencumbered Cash, January 1</b>        | <u>27,018</u>           | <u>32,065</u>     |                |  |
| <b>Unencumbered Cash, December 31</b>      | <u>\$ 32,065</u>        | <u>28,693</u>     |                |  |
| <b>(a) Budget Credit</b>                   |                         |                   |                |  |
| Excess Collections Over<br>Amount Budgeted |                         | \$ 181,782        |                |  |
| Excess State Aid Over<br>Amount Budgeted   |                         | <u>10,691</u>     |                |  |
| <b>Total Budget Credit</b>                 |                         | <u>\$ 192,473</u> |                |  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Noxious Weed Capital Outlay Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   |    | Prior<br>Year<br>Actual | Actual | Budget | Variance<br>Favorable<br>(Unfavorable) |
|---|----|-------------------------|--------|--------|--|
| <b>Expenditures</b>                       |    |                         |        |        |  |
| Capital Outlay                            | \$ | 1,610                   | 730    | 12,432 | 11,702                                 |
| <b>Receipts Over (Under) Expenditures</b> |    | (1,610)                 | (730)  |        |  |
| <b>Unencumbered Cash, January 1</b>       |    | 12,432                  | 10,822 |        |  |
| <b>Unencumbered Cash, December 31</b>     | \$ | 10,822                  | 10,092 |        |  |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Health Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual         | Budget         | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|----------------|----------------|--|
| <b>Cash Receipts</b>                      |                         |                |                |  |
| Taxes                                     | \$ 105,411              | 108,830        | 110,145        | (1,315)                                |
| Intergovernmental                         | 9,751                   | 7,533          | 1,000          | 6,533                                  |
| Federal Grants                            | 6,489                   | -              | 400            | (400)                                  |
| Collections                               | 8,161                   | 5,352          | 4,000          | 1,352                                  |
| <b>Total Cash Receipts</b>                | <b>129,812</b>          | <b>121,715</b> | <b>115,545</b> | <b>6,170</b>                           |
| <b>Expenditures</b>                       |                         |                |                |  |
| Personal Services                         | 93,825                  | 97,271         | 113,876        | 16,605                                 |
| Contractual Services                      | 9,877                   | 9,145          | 15,900         | 6,755                                  |
| Commodities                               | 2,725                   | 5,211          | 4,500          | (711)                                  |
| Capital Outlay                            | -                       | 15             | 1,350          | 1,335                                  |
| <b>Total Expenditures</b>                 | <b>106,427</b>          | <b>111,642</b> | <b>135,626</b> | <b>23,984</b>                          |
| <b>Receipts Over (Under) Expenditures</b> | <b>23,385</b>           | <b>10,073</b>  |                |  |
| <b>Unencumbered Cash, January 1</b>       | <b>41,965</b>           | <b>65,350</b>  |                |  |
| <b>Unencumbered Cash, December 31</b>     | <b>\$ 65,350</b>        | <b>75,423</b>  |                |  |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Appraiser's Cost Fund

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual | Budget | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|--------|--------|--|
| <b>Cash Receipts</b>                      |                         |        |        |  |
| Taxes                                     | \$ 83,693               | 83,599 | 84,269 | (670)                                  |
| Miscellaneous                             | 2,209                   | 2,337  | -      | 2,337                                  |
| <b>Total Cash Receipts</b>                | 85,902                  | 85,936 | 84,269 | 1,667                                  |
| <b>Expenditures</b>                       |                         |        |        |  |
| Personal Services                         | 77,856                  | 77,135 | 80,128 | 2,993                                  |
| Contractual Services                      | 5,495                   | 4,666  | 4,980  | 314                                    |
| Commodities                               | 2,631                   | 2,695  | 3,250  | 555                                    |
| Capital Outlay                            | 190                     | 370    | 5,000  | 4,630                                  |
| <b>Total Expenditures</b>                 | 86,172                  | 84,866 | 93,358 | 8,492                                  |
| <b>Receipts Over (Under) Expenditures</b> | (270)                   | 1,070  |        |  |
| <b>Unencumbered Cash, January 1</b>       | 11,653                  | 11,383 |        |  |
| <b>Unencumbered Cash, December 31</b>     | \$ 11,383               | 12,453 |        |  |

The notes to the financial statements are an integral part of this statement.

NESS COUNTY, KANSAS  
 Special Bridge Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|                                    | Prior<br>Year<br>Actual | Actual |
|------------------------------------|-------------------------|--------|
| Cash Receipts                      |                         |        |
| Transfers In                       | \$ -                    | 47,000 |
| Receipts Over (Under) Expenditures | -                       | 47,000 |
| Unencumbered Cash, January 1       | -                       | -      |
| Unencumbered Cash, December 31     | \$ -                    | 47,000 |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Employee Benefit Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual         | Budget         | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|----------------|----------------|--|
| <b>Cash Receipts</b>                      |                         |                |                |  |
| Taxes                                     | \$ 198,598              | 216,818        | 219,309        | (2,491)                                |
| Refunds                                   | -                       | 16,960         | -              | 16,960                                 |
| <b>Total Cash Receipts</b>                | <u>198,598</u>          | <u>233,778</u> | <u>219,309</u> | <u>14,469</u>                          |
| <b>Expenditures</b>                       |                         |                |                |  |
| Social Security                           | 83,006                  | 94,668         | 101,500        | 6,832                                  |
| Employee Retirement                       | 65,039                  | 77,267         | 75,000         | (2,267)                                |
| Workmen's Compensation Insurance          | 49,261                  | 74,736         | 55,000         | (19,736)                               |
| Unemployment Insurance                    | 742                     | 3,048          | 5,000          | 1,952                                  |
| <b>Total Expenditures</b>                 | <u>198,048</u>          | <u>249,719</u> | <u>236,500</u> | <u>(13,219)</u>                        |
| <b>Receipts Over (Under) Expenditures</b> | 550                     | (15,941)       |                |  |
| <b>Unencumbered Cash, January 1</b>       | <u>31,211</u>           | <u>31,761</u>  |                |  |
| <b>Unencumbered Cash, December 31</b>     | \$ <u>31,761</u>        | <u>15,820</u>  |                |  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Ambulance Service Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual          | Budget         | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|-----------------|----------------|--|
| <b>Cash Receipts</b>                      |                         |                 |                |  |
| Taxes                                     | \$ 75,022               | 67,438          | 68,079         | (641)                                  |
| <b>Expenditures</b>                       |                         |                 |                |  |
| Contractual Services                      | 39,097                  | 37,877          | 39,000         | 1,123                                  |
| Commodities                               | 532                     | -               | 5,800          | 5,800                                  |
| Capital Outlay                            | -                       | 90,000          | 90,000         | -                                      |
| <b>Total Expenditures</b>                 | <b>39,629</b>           | <b>127,877</b>  | <b>134,800</b> | <b>6,923</b>                           |
| <b>Receipts Over (Under) Expenditures</b> | <b>35,393</b>           | <b>(60,439)</b> |                |  |
| <b>Unencumbered Cash, January 1</b>       | <b>38,628</b>           | <b>74,021</b>   |                |  |
| <b>Unencumbered Cash, December 31</b>     | <b>\$ 74,021</b>        | <b>13,582</b>   |                |  |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Special Alcohol Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual | Budget | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|--------|--------|--|
| <b>Cash Receipts</b>                      |                         |        |        |  |
| Intergovernmental                         | \$ 1,536                | 1,473  | 1,185  | 288                                    |
| <b>Expenditures</b>                       |                         |        |        |  |
| Contractual Services                      | 600                     | 950    | 6,767  | 5,817                                  |
| <b>Receipts Over (Under) Expenditures</b> | 936                     | 523    |        |  |
| <b>Unencumbered Cash, January 1</b>       | 5,222                   | 6,158  |        |  |
| <b>Unencumbered Cash, December 31</b>     | \$ 6,158                | 6,681  |        |  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Bio-Terrorism Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual         |
|---|-------------------------|----------------|
| <b>Receipts</b>                           |                         |                |
| Federal Grant                             | \$ 9,116                | 11,933         |
| <b>Expenditures</b>                       |                         |                |
| Personal Services                         | 4,928                   | 10,922         |
| Contractual Services                      | 1,858                   | 1,637          |
| Commodities                               | 1,028                   | 1,898          |
| Capital Outlay                            | 4,273                   | 3,754          |
| <b>Total Expenditures</b>                 | <b>12,087</b>           | <b>18,211</b>  |
| <b>Receipts Over (Under) Expenditures</b> | <b>(2,971)</b>          | <b>(6,278)</b> |
| <b>Unencumbered Cash, January 1</b>       | <b>9,533</b>            | <b>6,562</b>   |
| <b>Unencumbered Cash, December 31</b>     | <b>\$ 6,562</b>         | <b>284</b>     |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## 911 Tax Fund

## Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|                                    | Prior<br>Year<br>Actual | Actual  |
|------------------------------------|-------------------------|---------|
| Cash Receipts                      |                         |         |
| Collections                        | \$ 19,470               | 16,976  |
| Expenditures                       |                         |         |
| Contractual Services               | 3,077                   | 21,562  |
| Capital Outlay                     | -                       | 4,467   |
| Total Expenditures                 | 3,077                   | 26,029  |
| Receipts Over (Under) Expenditures | 16,393                  | (9,053) |
| Unencumbered Cash, January 1       | 31,068                  | 47,461  |
| Unencumbered Cash, December 31     | \$ 47,461               | 38,408  |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## E-911 Tax Fund

## Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

---

|                                    | Prior<br>Year<br>Actual | Actual |
|------------------------------------|-------------------------|--------|
|                                    | <hr/>                   | <hr/>  |
| Cash Receipts                      |                         |        |
| Collections                        | \$ 6,570                | 8,310  |
|                                    | <hr/>                   | <hr/>  |
| Receipts Over (Under) Expenditures | 6,570                   | 8,310  |
|                                    | <hr/>                   | <hr/>  |
| Unencumbered Cash, January 1       | 1,940                   | 8,510  |
|                                    | <hr/>                   | <hr/>  |
| Unencumbered Cash, December 31     | \$ 8,510                | 16,820 |
|                                    | <hr/>                   | <hr/>  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Register of Deeds Technology Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual |
|---|-------------------------|--------|
| <b>Cash Receipts</b>                      |                         |        |
| Collections                               | \$ 13,330               | 12,604 |
| <b>Expenditures</b>                       |                         |        |
| Capital Outlay                            | 27,892                  | 699    |
| <b>Receipts Over (Under) Expenditures</b> | (14,562)                | 11,905 |
| <b>Unencumbered Cash, January 1</b>       | 23,419                  | 8,857  |
| <b>Unencumbered Cash, December 31</b>     | \$ 8,857                | 20,762 |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Micro Loan Fund

## Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual |
|---|-------------------------|--------|
| <b>Cash Receipts</b>                      |                         |        |
| State Grants                              | \$ 3,000                | 3,000  |
| <b>Expenditures</b>                       |                         |        |
| Loans Granted                             | 2,346                   | -      |
| <b>Receipts Over (Under) Expenditures</b> | 654                     | 3,000  |
| <b>Unencumbered Cash, January 1</b>       | -                       | 654    |
| <b>Unencumbered Cash, December 31</b>     | \$ 654                  | 3,654  |

The notes to the financial statements are an integral part of this statement.

## NESS COUNTY, KANSAS

## Solid Waste Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual         | Budget         | Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------------|----------------|----------------|--|
| <b>Cash Receipts</b>                      |                         |                |                |  |
| Disposal Fees                             | \$ 188,675              | 195,565        | 230,000        | (34,435)                               |
| Intergovernmental                         | 127                     | 35             | -              | 35                                     |
| <b>Total Cash Receipts</b>                | <u>188,802</u>          | <u>195,600</u> | <u>230,000</u> | <u>(34,400)</u>                        |
| <b>Expenditures</b>                       |                         |                |                |  |
| Personal Services                         | 30,662                  | 34,081         | 36,807         | 2,726                                  |
| Contractual Services                      | 121,858                 | 126,454        | 153,352        | 26,898                                 |
| Commodities                               | 31,084                  | 12,863         | 7,025          | (5,838)                                |
| Capital Outlay                            | 73,506                  | 53,616         | 61,000         | 7,384                                  |
| Transfers Out                             | -                       | 10,000         | 10,000         | -                                      |
| <b>Total Expenditures</b>                 | <u>257,110</u>          | <u>237,014</u> | <u>268,184</u> | <u>31,170</u>                          |
| <b>Receipts Over (Under) Expenditures</b> | (68,308)                | (41,414)       |                |  |
| <b>Unencumbered Cash, January 1</b>       | <u>119,523</u>          | <u>51,215</u>  |                |  |
| <b>Unencumbered Cash, December 31</b>     | <u>\$ 51,215</u>        | <u>9,801</u>   |                |  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Solid Waste - Post Closure Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|                                    | Prior<br>Year<br>Actual | Actual | Budget | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------------|-------------------------|--------|--------|--|
| Cash Receipts                      |                         |        |        |  |
| Transfers In                       | \$ -                    | 10,000 | 10,000 | -                                      |
| Receipts Over (Under) Expenditures | -                       | 10,000 |        |  |
| Unencumbered Cash, January 1       | 39,470                  | 39,470 |        |  |
| Unencumbered Cash, December 31     | \$ 39,470               | 49,470 |        |  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Prosecuting Attorney's Training Fund**  
**Statement of Cash Receipts and Expenditures - Actual**  
**For the Year Ended December 31, 2006**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual |
|---|-------------------------|--------|
| <b>Cash Receipts</b>                      |                         |        |
| Collections                               | \$ 271                  | 226    |
| <b>Expenditures</b>                       |                         |        |
| Commodities                               | 51                      | -      |
| <b>Receipts Over (Under) Expenditures</b> | 220                     | 226    |
| <b>Unencumbered Cash, January 1</b>       | 1,565                   | 1,785  |
| <b>Unencumbered Cash, December 31</b>     | \$ 1,785                | 2,011  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Special Motor Vehicle Tax Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual        |
|---|-------------------------|---------------|
| <b>Cash Receipts</b>                      |                         |               |
| Collections                               | \$ 28,128               | 28,407        |
| <b>Expenditures</b>                       |                         |               |
| Personal Services                         | 3,720                   | -             |
| Commodities                               | 24,408                  | 28,407        |
| <b>Total Expenditures</b>                 | <b>28,128</b>           | <b>28,407</b> |
| <b>Receipts Over (Under) Expenditures</b> | -                       | -             |
| <b>Unencumbered Cash, January 1</b>       | -                       | -             |
| <b>Unencumbered Cash, December 31</b>     | \$ -                    | -             |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Law Enforcement Trust Fund**  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

|   | Prior<br>Year<br>Actual | Actual |
|---|-------------------------|--------|
| <b>Cash Receipts</b>                      |                         |        |
| Collections                               | \$ -                    | -      |
| <b>Receipts Over (Under) Expenditures</b> | -                       | -      |
| <b>Unencumbered Cash, January 1</b>       | 792                     | 792    |
| <b>Unencumbered Cash, December 31</b>     | \$ 792                  | 792    |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Distributable Funds, State Funds, and Subdivision Funds**  
Statement of Cash Receipts and Cash Disbursements  
For the Year Ended December 31, 2006

| <u>Fund</u>                      | <u>Beginning<br/>Cash Balance</u> | <u>Cash<br/>Receipts</u> | <u>Cash<br/>Disbursements</u> | <u>Ending<br/>Cash Balance</u> |
|----------------------------------|-----------------------------------|--------------------------|-------------------------------|--------------------------------|
| <b>Distributable Funds -</b>     |                                   |                          |                               |                                |
| Severance Tax                    | \$ -                              | 144,978                  | 144,978                       | -                              |
| Advance Tax                      | 1,019                             | 153                      | 153                           | 1,019                          |
| Current Tax                      | 4,446,243                         | 7,235,931                | 6,397,392                     | 5,284,782                      |
| Delinquent Property Taxes        | 9,678                             | 54,983                   | 47,703                        | 16,958                         |
| Motor Vehicle Tax                | 14,670                            | 587,048                  | 552,127                       | 49,591                         |
| <b>Total Distributable Funds</b> | <b>\$ 4,471,610</b>               | <b>8,023,093</b>         | <b>7,142,353</b>              | <b>5,352,350</b>               |
| <b>State Funds -</b>             |                                   |                          |                               |                                |
| State General                    | \$ -                              | 374                      | 374                           | -                              |
| State Institutional Building     | -                                 | 28,294                   | 27,812                        | 482                            |
| State Educational Building       | -                                 | 56,589                   | 55,624                        | 965                            |
| <b>Total State Funds</b>         | <b>\$ -</b>                       | <b>85,257</b>            | <b>83,810</b>                 | <b>1,447</b>                   |
| <b>Subdivision Funds -</b>       |                                   |                          |                               |                                |
| Cities                           | \$ -                              | 468,064                  | 468,064                       | -                              |
| Townships                        | -                                 | 84,345                   | 84,345                        | -                              |
| School Districts                 | -                                 | 1,953,094                | 1,953,094                     | -                              |
| Hospitals                        | -                                 | 1,213,823                | 1,213,823                     | -                              |
| Other Special Districts          | -                                 | 287,272                  | 287,272                       | -                              |
| <b>Total Subdivision Funds</b>   | <b>\$ -</b>                       | <b>4,006,598</b>         | <b>4,006,598</b>              | <b>-</b>                       |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
**Agency Funds**  
**Statement of Cash Receipts and Cash Disbursements**  
**For the Year Ended December 31, 2006**

| <u>Fund</u>                | <u>Beginning<br/>Cash Balance</u> | <u>Cash<br/>Receipts</u> | <u>Cash<br/>Disbursements</u> | <u>Ending<br/>Cash Balance</u> |
|----------------------------|-----------------------------------|--------------------------|-------------------------------|--------------------------------|
| Sales Tax                  | \$ 3,361                          | 444,432                  | 441,458                       | 6,335                          |
| Drivers License            | 311                               | 8,627                    | 8,765                         | 173                            |
| Worthless Check            | 746                               | 228                      | 746                           | 228                            |
| Fish and Game Licenses     | 1,695                             | 14,877                   | 16,572                        | -                              |
| Heritage Trust             | 393                               | 1,283                    | 1,043                         | 633                            |
| Unclaimed Money            | 13,192                            | -                        | -                             | 13,192                         |
| Concealed Carry Fund       | -                                 | 200                      | -                             | 200                            |
| Sex Offender Registry Fund | -                                 | 20                       | -                             | 20                             |
| Stray Livestock Fund       | -                                 | 454                      | -                             | 454                            |
| Sheriff                    | 834                               | 31,113                   | 31,289                        | 658                            |
| Register of Deeds          | -                                 | 61,404                   | 61,404                        | -                              |
| County Clerk               | -                                 | 14,059                   | 14,059                        | -                              |
| Clerk of District Court    | 3,016                             | 127,533                  | 128,013                       | 2,536                          |
|                            | <u>\$ 23,548</u>                  | <u>704,230</u>           | <u>703,349</u>                | <u>24,429</u>                  |

The notes to the financial statements are an integral part of this statement.

**NESS COUNTY, KANSAS**  
Notes to Financial Statements  
December 31, 2006

---

**1. Summary of Significant Accounting Policies**

The County has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

**A. Financial Reporting Entity**

**Ness County, Kansas**, is a municipal corporation governed by an elected three-member commission. The County receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources. These financial statements present the financial position of **Ness County, Kansas**. The financial statements of the County consist of all funds of the County and governmental entities that are considered to be controlled by or dependent on the County. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The County has no entities that are controlled or dependent on the County.

**B. Basis of Presentation - Fund Accounting**

The accounts of the government are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of **Ness County, Kansas** for the year of 2006.

**Governmental Funds**

**General Fund** – reports as the primary fund of the County. This fund is used to account for all financial resources not reported in other funds.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources (other than special assessments to major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

**Proprietary Fund**

**Enterprise Funds** – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Funds**

**Agency Funds** - to account for fiduciary assets held by the County in a custodial capacity as an agent on behalf of others.

**Private Purpose Trust Funds** - to account for assets held by governmental unit as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

**NESS COUNTY, KANSAS**  
Notes to Financial Statements  
December 31, 2006

---

**C. Statutory Basis Of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction a cash receipt is recorded in the fund receiving cash from another fund and an expenditure would be charged in the fund from which the transfer is made.

The County has approved a resolution that is in compliance with K.S.A. 75-1120 a(c), waiving the requirement for application of generally accepted accounting principles and allowing the County to use the statutory basis of accounting.

**D. Departure from Generally Accepted Accounting Principles**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the County are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**E. Accounting for Capital Assets and Depreciation**

The County does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

**F. Accounting for Long-Term Liabilities**

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

NESS COUNTY, KANSAS  
Notes to Financial Statements  
December 31, 2006

---

**G. Budgets**

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds:

Special Highway Improvement Fund, Special Machinery Fund, Special Bridge Fund, 911 Tax Fund, E-911 Tax Fund, Register of Deeds Technology Fund, and Micro Loan Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**H. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds.

**NESS COUNTY, KANSAS**  
Notes to Financial Statements  
December 31, 2006

---

**I. Deposits and Investments**

The County follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, cash disbursements and unencumbered cash.

As of December 31, 2006, the County had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds have a main or branch bank in the county in which the County is located or in the adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The County has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the County may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require the County's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The County properly used "peak periods" during 2006. At December 31, 2006, \$2,406,966 was not secured due to "peak period" in effect.

At December 31, 2006, the County's carrying amount of deposits was \$7,344,702 and the bank balance was \$7,410,659. Of the bank balance, \$5,003,693 was covered by federal depository insurance and with securities held by the pledging financial institutions' agents in the County's name. The remaining \$2,406,966 was uncollateralized deposits. The County has designated and properly used peak periods as provided by K.S.A. 9-1403.

**J. Property Tax Calendar**

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Major property tax payments are received January through July and are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**K. Inventories and Prepaid Expenses**

Inventories and prepaid expenses which benefit future periods, are recorded as expenditures during the year of purchase as required by state statutes.

NESS COUNTY, KANSAS  
Notes to Financial Statements  
December 31, 2006

---

**L. Compensated Absences**

The County's policy regarding vacation is that an employee shall be eligible for vacation upon the completion of six months employment. The number of days of vacation earned is based upon the length of service with the County, using the tables and schedules in the personnel manual. Unused vacation will be forfeited as of December 31 except in extraordinary circumstances approved by the department head. Employees entitled to more than 11 days of vacation time per year are not required to take the additional time prior to December 31. If not taken, the employee is to be paid on the final payroll of the year at a rate equivalent to the daily rate of pay for the vacation days not used. Employees of Ness County earn one day of sick leave per month of employment. An employee may use two days of sick leave each year as personal leave days. If these days are not used they will continue to be included in the accumulating sick leave up to the 60 day maximum. An employee can accumulate 60 days of sick leave which is paid upon normal retirement or permanent disability at the regular rate of pay. The accrued potential sick leave at December 31, 2006 was \$114,726.

**M. Restricted Assets**

These assets consist of cash and short-term investments restricted for Agency Funds.

**N. Defined Benefit Pension Plan**

**Plan Description** – Ness County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

**Funding Policy** – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2006 is 4.61% from January 1, 2006 to June 30, 2006 and 4.81% from July 1, 2006 to December 31, 2006.

The employer contributions to KPERS for the years ending December 31, 2006, 2005, and 2004 were \$77,265, \$65,133, and \$48,163, respectively, equal to the statutory required contributions for each year.

**O. Reimbursements**

The County records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursement as revenue to the fund.

**P. Deferred Compensation Plan**

The County sponsors a deferred compensation under the Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employer is responsible for the amount of deferred compensation to be contributed. The County is not responsible to make any contributions.

**NESS COUNTY, KANSAS**  
Notes to Financial Statements  
December 31, 2006

**Q. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the County is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the County for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program

**2. Landfill Closure & Postclosure Costs**

State and federal laws and regulations require that **Ness County, Kansas** to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty (30) years after closure. The current year expenditures relating to the operation of the landfill are provided in the Solid Waste Fund in the financial statements. The County is not incurring a liability based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The estimate of closure and postclosure care liability at year end would be \$1,026,230. This liability is based on the use of 70.70% of the estimated cost of closure and postclosure care of \$1,451,527 as the remaining estimated capacity of the County is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The County expects the landfill to continue to operate indefinitely. Actual costs may be higher due to inflation, changes in technology or in regulations. The County has restricted assets for payment of closure and postclosure care cost.

The County is meeting the financial assurance requirements through the Local Government Financial Test. This test involves four components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The County has satisfied all four requirements.

**3. Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects, and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas Statutes. The County's operating transfers and statutory authority for December 31, 2006 were as follows:

| <u>From</u>           | <u>To</u>                | <u>K.S.A.</u><br><u>Authorization</u> | <u>2006</u><br><u>Amount</u> |
|-----------------------|--------------------------|---------------------------------------|------------------------------|
| Road & Bridge         | Special Machinery        | 68-141g                               | \$ 190,000                   |
| Special Motor Vehicle | General                  | 8-145                                 | 18,337                       |
| Road and Bridge       | Special Bridge           | 68-141g                               | 47,000                       |
| Solid Waste           | Solid Waste Post Closure | 65-204                                | 10,000                       |
| Total                 |                          |                                       | \$ <u>265,337</u>            |

**4. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NESS COUNTY, KANSAS**  
Notes to Financial Statements  
December 31, 2006

---

**5. Risk Management Claims & Judgments**

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The County carries commercial insurance for other risk of loss, including property, general liability, inland marine, automobile, workmen's compensation, linebacker coverage, boiler, employee dishonesty, and theft. The County also carries additional commercial insurance for ambulance, EMT, and professional nurses' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The County carries comprehensive collision insurance on selective items. The County has elected not to provide a reserve for this risk on those items that do not have comprehensive collision insurance.

**6. Litigation**

The County is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the County.

**7. Comparative Data**

Comparative total data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the County's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make certain statements unduly complex and difficult to read.

**8. Grants and Shared Revenues**

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the County, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

**9. Compliance with Kansas Statutes**

Expenditures exceeded budgeted limits in the following fund, which is in violation of K.S.A. 79-2935.

|                       |            |
|-----------------------|------------|
| Employee Benefit Fund | \$(13,219) |
|-----------------------|------------|

**10. Micro Loan Fund**

The County was awarded a CDBG Micro Loan grant in the amount of \$100,000. As of December 31, 2006, the County has not loaned any of these funds.

NESS COUNTY, KANSAS  
Notes to Financial Statements  
December 31, 2006

---

**11. Long-Term Debt**

The County has the following type of Long Term Debt:

**Lease Obligations**

The County has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

Changes in long-term liabilities for the County at December 31, 2006 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

**NESS COUNTY, KANSAS**  
Schedule of Changes in Long Term Debt  
For the Year Ended December 31, 2006

| Issue   | Interest Rates | Date of Issue | Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Net Change | Balance End of Year | Interest Paid |
|---|----------------|---------------|-----------------|------------------------|---------------------------|-----------|----------------------|------------|---------------------|---------------|
| <b>Amount to be Provided for Compensated Absences</b> | N/A            | N/A           | \$ N/A          | N/A                    | 107,587                   | -         | -                    | 7,139      | 114,726             | -             |
| <b>Capital Leases</b>                                 |                |               |                 |                        |                           |           |                      |            |                     |               |
| 2001 JD 755C Loader                                   | 3.86%          | 03/17/03      | 148,500         | 05/17/06               | 51,730                    | -         | (51,730)             | (51,730)   | -                   | 1,885         |
| (2) 2004 Ford F150 Pickups                            | 3.98%          | 05/13/04      | 25,250          | 05/13/06               | 12,864                    | -         | (12,864)             | (12,864)   | -                   | 533           |
| (5) Motor Graders                                     | 4.49%          | 04/18/05      | 545,953         | 04/18/09               | 545,953                   | -         | (128,575)            | (128,575)  | 417,378             | 23,567        |
| Air Conditioning and Heating Sys                      | 5.19%          | 08/21/06      | 251,382         | 08/21/10               | -                         | 251,382   | -                    | 251,382    | 251,382             | -             |
| <b>Total Capital Leases</b>                           |                |               | 971,085         |                        | 610,547                   | 251,382   | (193,169)            | 58,213     | 668,760             | 25,985        |
| <b>Total Long Term Debt</b>                           |                |               | \$ 971,085      |                        | 718,134                   | 251,382   | (193,169)            | 65,352     | 783,486             | 25,985        |

**NESS COUNTY, KANSAS**  
Schedule of Maturity of Long Term Debt  
For the Year Ended December 31, 2006

|                                     | YEAR              |                |                |               |                |
|-------------------------------------|-------------------|----------------|----------------|---------------|----------------|
|                                     | 2007              | 2008           | 2009           | 2010          | Total          |
| <b>Principal</b>                    |                   |                |                |               |                |
| <b>Capital Leases</b>               |                   |                |                |               |                |
| (5) Motor Graders                   | \$ 133,406        | 139,394        | 144,578        | -             | 417,378        |
| Air Conditioning and Heating Sys    | 58,159            | 61,178         | 64,353         | 67,692        | 251,382        |
| <b>Total Principal</b>              | <u>191,565</u>    | <u>200,572</u> | <u>208,931</u> | <u>67,692</u> | <u>668,760</u> |
| <b>Interest</b>                     |                   |                |                |               |                |
| <b>Capital Leases</b>               |                   |                |                |               |                |
| (5) Motor Graders                   | 18,736            | 12,748         | 7,564          | -             | 39,048         |
| Air Conditioning and Heating Sys    | 13,047            | 10,028         | 6,853          | 3,513         | 33,441         |
| <b>Total Interest</b>               | <u>31,783</u>     | <u>22,776</u>  | <u>14,417</u>  | <u>3,513</u>  | <u>72,489</u>  |
| <b>Total Principal and Interest</b> | <u>\$ 223,348</u> | <u>223,348</u> | <u>223,348</u> | <u>71,205</u> | <u>741,249</u> |